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PRESS RELEASE

May 1, 2008

Lexington, Ky. —John Pennington, 49, and his wife, Tena Lynn Pennington, 43, both of Stanton, Ky.; Thomas J. Childers, 59, of Hazard, Ky.; and Karen Lynetta Fox-Burns, 55, and her daughter, Shannon Rane Hogg, 32, both of Whitesburg, Ky., were indicted today for mail fraud.

The Indictment alleges that John Pennington, aided by Tena Pennington, Childers, Fox-Burns, and Hogg, devised a mail fraud scheme from 2003 to 2005 to defraud Kentucky Employers' Mutual Insurance (KEMI), in Lexington, Ky., of workers' compensation insurance premiums by misrepresenting to KEMI the number of employees and the amount of payroll of John Pennington's company, ZAG Resources, Inc. Childers is the owner of CS&W Insurance Services, Inc., in Whitesburg, Ky. Fox-Burns is a licensed insurance agent for CS&W, and Hogg works for CS&W as a customer services representative.

The Indictment also alleges that John Pennington failed to pay federal taxes to the Internal Revenue Service that he withheld from his employees' wages from 2003 to 2007.

James A. Zerhusen, Acting United States Attorney for the Eastern District of Kentucky; Robin Dangleish, Postal Inspector in Charge, United States Postal Inspection Service; and Christopher R. Pikelis, Special Agent in Charge, Internal Revenue Service, Criminal Investigation Division, jointly made the announcement today after a federal grand jury in Lexington, Ky., returned the Indictment.

The investigation preceding the Indictment was conducted by the United States Postal Inspection Service; the Internal Revenue Service, Criminal Investigation Division; and the Kentucky Office of Insurance, Fraud Division. The Indictment was presented to the grand jury by Assistant United States Attorneys John Patrick Grant and Patrick H. Molloy.

The Defendants' appearance before the United States District Court has not yet been set by the Court in Lexington, Ky. If convicted, they face maximum prison sentences of 20 years. However, any sentence following conviction would be imposed by the court after consideration of the United States Sentencing Guidelines and the federal statute governing the imposition of sentences.

The indictment of a person by a grand jury is an accusation only, and that person is presumed innocent unless proven guilty.